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Conflict of Interest in 401(k) Funds

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Companies often hire third party administrators (TPAs) to manage their respective 401(k) plans. Some companies simply provide documentation and advice; however, other TPAs actually offer their own proprietary (in-house) funds as investment alternatives. New research (see Journal of Financial Research) shows that these funds often carry higher fees and have lower returns, illustrating the impact of a conflict of interest. This is particularly pronounced for banks and insurance companies acting as TPAs.

Related Chapters: Chapter 02, Chapter 04